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RHMFISS/COMUSKOREA CINCCOMMS SEOUL KOR  
RUACAAA/COMUSKOREA INTEL SEOUL KOR

C O N F I D E N T I A L SEOUL 000596

SIPDIS

E.O. 12958: DECL: 04/13/2019

TAGS: [PGOV](#) [KS](#)

SUBJECT: ROH MOO-HYUN'S WIFE AND SON QUESTIONED IN MONEY  
SCANDAL; ROH IS NEXT

REF: SEOUL 0498 (BIG NAMES IMPLICATED)

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b), (d).

11. (SBU) Summary: Prosecutors questioned former President Roh Moo-hyun's wife, Kwon Yang-sook, and son, Roh Geon-ho, April 11 and 12 in connection with the Park Yeon-cha bribery scandal. Prosecutors are expected to summon former President Roh in the near future. The scandal is a blow to the liberal Democratic Party (DP), leading some on the left to accuse the conservative Grand National Party (GNP) of orchestrating a politically motivated witch hunt. Conservatives too, however, have been implicated in the scandal -- though not yet anybody close to President Lee Myung-bak. Former President Roh's problems are an enormous distraction for the opposition DP candidates contesting the April 29 bi-elections, because they had hoped to make the unpopular incumbent president an issue; now the main issue could be the former president. End Summary.

12. (SBU) Prosecutors over the weekend questioned former President Roh Moo-hyun's wife, Kwon Yang-sook, and son, Roh Geon-ho, in an ever-widening corruption scandal that revolves around Taekwang Industry Chair Park Yeon-cha (reftel). Kwon, who was questioned with her lawyer present, told prosecutors she had received USD 1 million from Park in June 2007 and KW 300 million (USD 225,000) in August 2006. Former President Roh said that, unbeknownst to him, his wife borrowed the USD 1 million from Park to pay off a debt. The family's lawyers insisted that Kwon borrowed both tranches of money to pay off debts Roh incurred during his presidential campaign. It is alleged, however, that Roh gave the USD 1 million to his son, Roh Geon-ho, to pay for tuition and living expenses at Stanford University.

13. (SBU) Roh Geon-ho returned to Seoul from the United States on April 11 to answer prosecutors' questions about whether his father had given him the USD 1 million as well as a separate allegation involving his cousin-in-law, Yeon Chol-ho. The younger Roh apparently traveled with Yeon to meet Park at his factory in Vietnam to request an investment. Park wired Yeon USD 5 million two days before Roh Moo-hyun's presidential term ended. Yeon was arrested April 10 for violating the foreign exchange law by not reporting his receipt of the money from Park. Authorities suspect that Roh Geon-ho helped Yeon secure Park's payment, but Yeon has insisted that the money was a legitimate business investment.

14. (C) Meanwhile, allegations that the corruption probe is politically motivated continue. Liberals argue that their politicians have been aggressively investigated while conservative politicians -- particularly those close to President Lee Myung-bak -- have been treated with leniency. Conspiracy theorists argue that even conservatives under

investigation are not close to the current president, and, in some cases, are allied with his conservative political opponent Park Geun-hye.

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Comment  
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15. (C) It is almost a tradition in Korea that former Presidents become embroiled in corruption scandals after their terms in office. Former Presidents Chun Doo-hwan and Roh Tae-woo did jail time; President Kim Young-sam's son, Hyun-chol, as well as two sons of President Kim Dae-jung, served lengthy sentences. The difference this time is that former President Roh had pinned his political career on his corruption-free image. The implication of many of his family members in the Park Yeon-cha probe has shattered what remaining faith Koreans had in Roh. Even many of his political opponents are surprised and personally disheartened by his actions. Roh's alleged involvement in the scandal is another blow to the beleaguered Democratic Party, the most recent incarnation of Roh's Uri Party. In the April 29 bi-elections, DP candidates had wanted to focus the campaign on the unpopular incumbent president. The developments in the Roh Moo-hyun scandal, however, put the DP on the defensive, because the opposition candidates must now disassociate themselves from the former president.  
STEPHENS